

Performance management case study: the Government of Canada

1) *Origin and purpose of the performance management system*

The Government of Canada's approach to performance management is rooted in early 1990's expenditure management systems designed to cut costs during a period of budget deficits, but with little emphasis on performance information. More recently, however, the federal government responded to increasing demands for accountability, and the potential for greater public spending due to consistent surpluses, by refocusing its performance management systems on cost-effectiveness.

Canada's extensive decentralization poses a challenge for developing integrated performance management strategies like the UK Public Service Agreements. While the federal government has constitutional responsibility for areas such as defence, provincial governments have autonomy in the design and delivery of core services such as health and education. At the federal level, the Treasury Board of Canada Secretariat (TBS)¹ is leading the implementation of two innovative and mutually-reinforcing approaches to managing central government performance.

2) *Building capacity in departments and agencies: MAF*

The Management Accountability Framework (MAF) was introduced in 2004 to improve organizational capability in 10 core management disciplines (e.g. risk management, citizen-focused service) based on 21 sub-elements, or indicators (see Appendix 1 for a complete list). MAF defines the conditions that need to be in place in all departments and agencies to ensure government is well-managed and provides a basis for analysis to identify management strengths and weaknesses in individual departments and on a government-wide basis.² The process includes annual MAF assessments of most departments and agencies, joint agreement on specific management improvement action plans, engagement between Deputy Heads (equivalent of UK Permanent Secretaries) and TBS where needed, and public reporting on the state of management.

MAF assessments are conducted jointly by TBS and each department based on a series of questions aligned to each indicator, though ultimate responsibility for management improvement belongs to Deputy Heads. Results of the assessment are used to promote management improvement, for example through the negotiated improvement action plans

¹ TBS supports the Treasury Board committee of Cabinet in approving all direct program spending and ensuring value for money. TBS is also responsible for supporting sound management practice across government.

² The MAF is analogous to departmental capability reviews in the UK: both focus on assessing and developing organizational capability.

noted above, and also form part of the assessment for senior departmental leadership, including Deputy Head performance bonuses. While MAF assessments are publicly available on the TBS website, media and Parliamentary interest has been minimal and it is not likely that MAF would be used as an accountability mechanism by citizens.

3) *Aligning policies, budgets and results: EMS and MRRS*

For all direct program spending, policy objectives and performance measures are developed by departments and challenged by central agencies (Department of Finance, Privy Council Office, TBS) to ensure clarity and fit to purpose. For new initiatives, proposed objectives and measures are set out in a Memorandum to Cabinet that seeks approval for the proposal and a funding allotment, and through a Treasury Board submission to provide more detailed financial and performance management information for Cabinet committee review and approval. Following approval the department is responsible for implementation of the program, which includes ongoing performance monitoring against the stated objectives. For existing initiatives, departments are moving towards comprehensive evaluation of all direct program spending – as of April 2008 only 10% of program spending is evaluated annually in accordance with a performance framework.

Performance management frameworks are tailored to suit individual initiatives. A key feature of the system is the risk-based approach to evaluation; high-impact and high-cost programs will be subject to a more rigorous measurement and evaluation regime, including more quantitative data collection and analysis, while lower-impact programs will meet simpler guidelines to avoid over-burdening minor initiatives. Guidance in developing performance management frameworks is available through the TBS *Evaluation Policy*,³ other supporting documents and TBS analysts who work with departments to ensure compliance through continuous advice, and review and approval of program submissions.

The Expenditure Management System (EMS) and Management, Resources and Results Structure (MRRS) categorize program activities, define expected results for each program, plan for measurement, and provide management information on the outcomes of policies and programs. MRRS is an inventory of all government programs which maps individual programs and sub-activities in each department to thirteen “whole of government” outcomes related to four high-level policy areas.⁴ While each of the thirteen government outcomes is supported by multiple departmental strategies and goals, each departmental program activity is linked with only one whole of government outcome. By linking program activities with overall government outcomes in this manner, spending and results associated with each of the thirteen outcome areas can be assessed, leading to a useful overview of government spending and results organized by outcome, rather than more limited departmental or program perspectives. In addition to its utility as a

³ The Evaluation Policy is nearing completion and is expected to be implemented within the year.

⁴ See Appendix 2 for a graphic representation of the MRRS system

government-wide tool, MRRS also provides individual departments with a more complete internal map of programs, expenditures and results to inform strategic management and budget allocation decisions.

The EMS features an annual strategic review of 25% of the government's direct program spending, capturing all program spending over a four-year cycle. Each department is reviewed once during the four-year cycle to assess its programs against achievement of stated policy objectives, alignment with current government priorities, and value for money. Reviews are led by individual departments and challenged by central agencies based on performance measurement data from the previous four years, and are used to identify well performing initiatives, as well as the lowest performing 5% of program expenditures. The identified lowest performing 5% of department expenditures are 'at risk' for reduced funding or cancellation. Based on the advice of the department and central agencies, Cabinet can decide to reallocate the "at risk" funds to other programs or departments, including new initiatives, though departments are able to make a business case to Cabinet for retaining some or all of the "at risk" funding by suggesting improvements or presenting other areas of their business in need of investment. This performance-informed budgeting system is designed to give Cabinet Ministers the functional oversight capability to redeploy underperforming or unaligned public expenditures to new priorities or better-performing initiatives to maintain a consistent emphasis on cost-effectiveness.

The first round of strategic reviews based on the new EMS took place in 2007, under which \$13.6 billion CDN (approx. £6.8 billion) of expenditures were subjected to review.⁵ The Cabinet reallocated \$400 million (approx. £200 million) of the reviewed expenditures to different areas, including new and existing programs. The second round of strategic reviews is underway, covering 21 departments and agencies with a total program budget of approximately \$24 billion (approx. £12 billion).

The outcome-focused financial system and cyclical review of financial and non-financial information on government programs is designed to drive continuous improvement, promote budget restraint and reduce the likelihood of an ad-hoc "program review" that introduces budget reductions with little systematic performance information, similar to what occurred in the early 1990's. While performance information is made public through reports to Parliament,⁶ the results are more useful for government decision-making and are not likely to draw media or public attention except when reallocation decisions threaten popular programs.

4) Results and impact

⁵ This first set of reviews was considered a pilot and covered less than the planned 25% of program spending.

⁶ Reporting to Parliament includes: a *Report on Plans and Priorities* for the coming fiscal year; *Estimates* detailing spending during the year; and a *Departmental Performance Report* for the past year.

Given that the MRRS & EMS systems were implemented in 2007, it is too early to make any clear judgments on the overall effectiveness of the Canadian approach to managing performance. The system is expected to be fully implemented by 2010-11, at which time a follow-up case study may be appropriate. Based on current information, this section presents a summary of the potential advantages and challenges of the Canadian system.

While MAF develops the foundation of a capable, well-governed organization that is able to function effectively and efficiently to deliver value to Canadians, EMS & MRRS focus on outcome evaluation and value for money at the policy- and program-level. Taken together, the systems emphasise the development of high-quality, comparable management information that supports both inward and outward accountability. *Inward accountability* is promoted by ensuring that outcome-oriented performance information and assessments of organizational strengths and weaknesses are available to managers to ensure that programs are delivered more efficiently and effectively. *Outward accountability* is supported by providing comprehensive, publicly-available reports to Parliament based on the MRRS structure. MRRS and EMS represent significant improvements in supporting Cabinet decision-making through the provision of outcome-oriented and comparable performance information. The results-oriented, transparent approach that is subject to Parliamentary and public scrutiny facilitates the Government's ability to hold departments to account, and in turn being held to account by Parliament and the public. The overall processes, at this early stage, have not garnered the public or media attention accorded the PSA frameworks in the UK.

5) *Implications for the UK*

The Canadian approach offers several advantages that may be relevant to decision-makers in the UK:

- **Performance-informed budgeting** – MRRS and EMS are the basis for a performance-informed budgeting system that forces departments to examine and justify expenditures on misaligned or lower value for money spending, and correct operational inefficiencies. The emphasis on continuous improvement through reallocation provides a strong check against the potential for duplicative, low-value or unaligned spending.
- **Comprehensive view of performance** – MAF focuses on the assessment and improvement of public sector organizations so that they are capable of delivering value; MRRS & EMS provide a system to identify and assess government outputs and outcomes to ensure that value is actually being delivered. Thus, both short-term results and long-term organizational resiliency are actively monitored and supported.

- **Program-specific evaluation requirements** – The risk-based approach to designing tailored performance measurement frameworks means that higher-value and priority programs will face more rigorous performance measurement, while smaller programs will require fewer resources to measure and evaluate. This approach should mitigate the risk of over-burdening the system with measurement activity in areas where changes are unlikely to yield significant gains.
- **Enhanced accessibility and usability of reporting** – There is strong coherence in reporting from government-wide objectives, to departmental outcomes to program activities to sub-program activities. Every government activity requiring direct spending is accounted for and linked to an outcome, demonstrating a strong commitment to transparency. Reporting includes plans, actuals, and performance reviews, all based on a common structure to ensure comparability. Reporting methods are also evolving to meet the needs of Parliamentarians and citizens, including a focus on high-level, outcome-oriented presentation that is easier to digest than traditional department-by-department reporting. Current plans call for the high-level overviews to be supported by deeper “drill-downs” that provide more detailed financial and performance information at the program level.

However, there are some risks that may need to be addressed to ensure the system works:

- **Evaluation capacity** – Only 10% of program expenditures are currently covered by annual evaluations: this is too low to support the strategic review cycle that aims to cover 25% of direct program spending annually. In addition, many evaluations are not rigorous enough to be a key source of credible performance information. The implementation of strategic reviews in 2007 required an acceptance that performance measurement and evaluation capacity in departments would be less than perfect for the first two to four cycles. The government decided to implement the reviews while dealing with the deficiencies at the same time. Ensuring that all departments are adequately resourced to conduct effective performance measurement and evaluation may present a significant financial burden.
- **Ability of the centre to monitor effectively** – MAF and MRRS & EMS rely on the availability of timely and accurate management information to drive improvements. Reviewing 25% of direct program spending every year will require significant resources and detailed understanding of departmental spending in order to be effective. It is possible that central agency analysts will not have adequate time or knowledge to perform an effective challenge function on information provided by departments, and therefore that significant performance or organizational issues may not be identified and addressed. Some departments are concerned that the recent implementation of MAF and MRRS &

EMS represent a significant and rapid upscaling of demand on management capacity. Some consideration is being given to whether MAF assessments are necessary every year, particularly in years when a department is being reviewed through EMS. Options under consideration include reducing the frequency of the MAF cycle (currently annual) once it is well-adopted, or to give well-performing departments a pass on the following year.

- **Tools to address deficiencies** – There are limited system-wide tools available to organizations to act on evaluation findings. The approach seems to rely on managers to interpret and apply evaluation data to promote improvements, but given the recent adoption of this system it is not yet known how managers and organizations will implement the system.

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Sources

Management Accountability Framework

http://www.tbs-sct.gc.ca/maf-crg/index_e.asp

Expenditure Management Information System

http://www.tbs-sct.gc.ca/emis-sigd/index_e.asp

Management, Resources and Results Structure

http://www.tbs-sct.gc.ca/emis-sigd/ab-ap/mrrs-sgrr_e.asp

Institutional foundations for performance budgeting: The case of the Government of Canada

[http://siteresources.worldbank.org/INTMEXICO/Resources/L_McCormack_Paper\[May29\].pdf](http://siteresources.worldbank.org/INTMEXICO/Resources/L_McCormack_Paper[May29].pdf)

Appendix 1: The Management Accountability Framework – Areas of responsibility

Public Service Values

1. Values and Ethics

Governance and Strategic Directions

2. Corporate Performance Framework
3. Corporate Management Structure
4. Extra-Organizational Contribution

Policy and Programs

5. Quality of Analysis

Results and Performance

6. Evaluation
7. Performance Reporting to Parliament

Learning, Innovation and Change Management

8. Managing Organizational Change

Risk Management

9. Risk Management

People

10. Workplace
11. Workforce

Stewardship

12. Information Management
13. Information Technology
14. Asset Management
15. Project Management
16. Procurement
17. Financial Management and Control
18. Internal Audit
19. Security and Business Continuity

Citizen-focused Service

20. Citizen-focused Service

Accountability

21. Alignment of Accountability Instruments

Each of the 21 MAF elements is supported by a set of questions and sources of evidence to be used by TBS analysts in conducting annual MAF assessments.

For example, evaluation (element 6) is supported by the following evidence:

1. Quality of evaluations, including focus on value for money and program improvement

2. Neutrality of evaluation function (governance and resources)

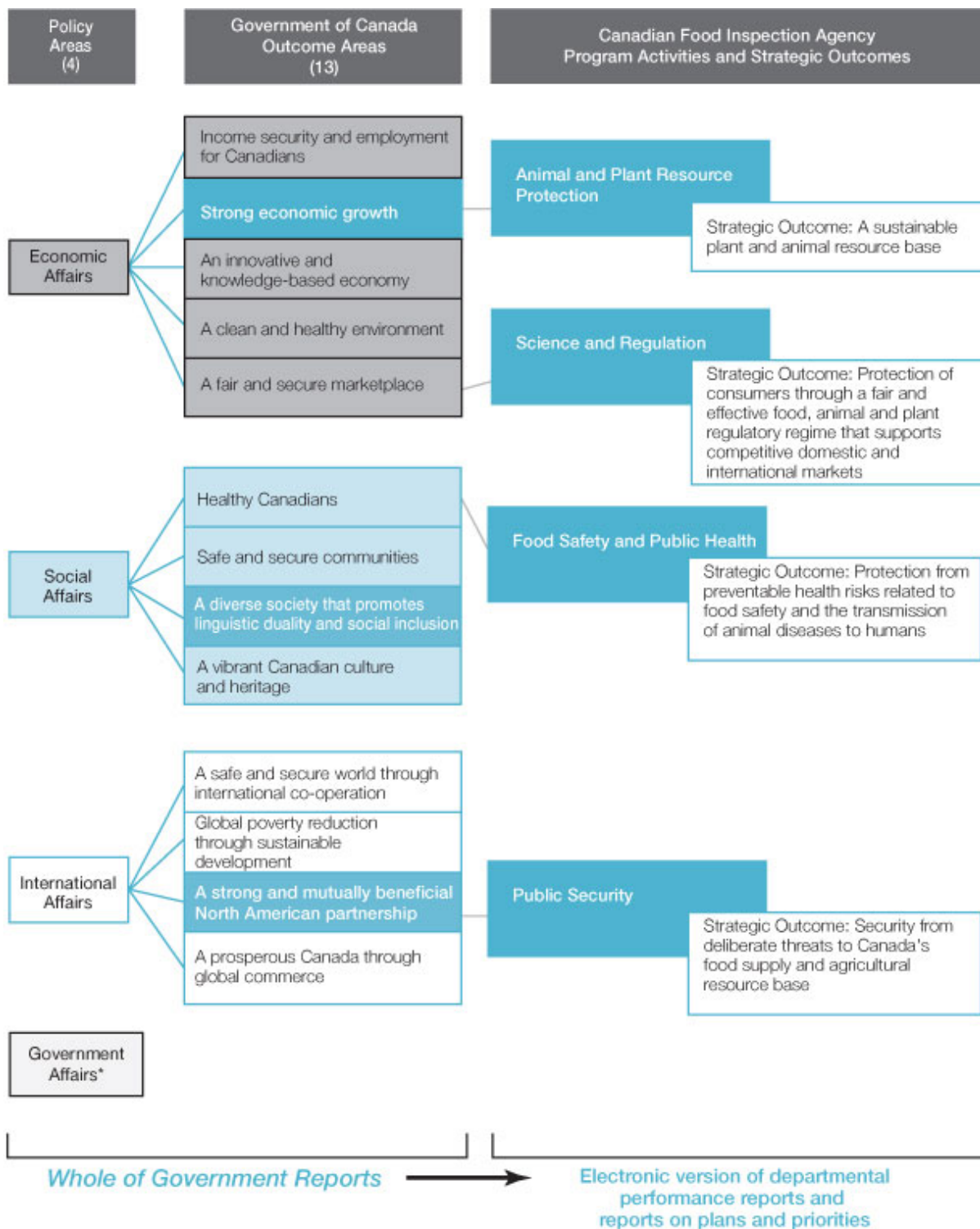
3. Evaluation coverage of the organization's programs

4. Use of evaluation in support of decision-making in the organization

5. Readiness for the coming into force of the new Evaluation Policy

Based on a review of the evidence, the analyst attempts to answer one key question – Does the department value and make effective use of evaluation information?

Appendix 2: The MRRS approach to categorizing financial and non-financial information



*Federal organizations that support all departments and agencies through the provision of government services (e.g. the Treasury Board of Canada Secretariat, the Public Service Commission of Canada, Public Works and Government Services Canada).

Note: Reproduced from the TBS website